Amendment in FERA

359. SHRI GAYA SINGH:
SHRI N. GIRI PRASAD:

Will the Minister of FINANCE be pleased to state:

(a) whether Govemment are considering a proposal for amending Foreign Exchange Regulation Act (FERA); and

(b) if so, the details thereof?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) and (b) Major changes in FERA were carried out vide Foreign Exchange Regulation (Amendment) Act, 1993 (29 of 1993). However, a comprehensive review of FERA is currently being undertaken and further changes, if necessary, may also be considered.

Investments by Flls in Indian Stock Market

360. SHRI SAIFULLA:
DR. Y. LAKSHMI PRASAD

Will the Minister of FINANCE be pleased to state:

(a) whether foreign institutional investors (Flls) have been allowed to invest in the Indian stock market;

(b) if so, the total amount invested by these Flls during the year 1994-95 and during the first nine months of 1995-96 respectively in the Indian Stock market;

(c) whether any analysis has been made about the positive and negative effects of these investments; and if so, the details thereof;

(d) whether the foreign institutional investors have become major players which has rendered the role of Indian financial institutions like UTI and LIC ineffectual in serving as regulatory bodies at the sources; and

(e) if so, the action proposed in this regard?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) Yes, Sir.

(b) According to the information made available by the Securities & Exchange Board of India (SEBI), the amount of net investments made by the Foreign Institutional Investors (Flls) during the financial year 1994-95 and during the first nine months of 1995-96 have been as follows:

	US $ Million
1994-95	1995-96 Upto Dec. 1995
1528.3	1016.8

(c) Participation by international investors increases the depth and credibility of domestic capital markets and enhances the scope for capital mobilisation by Indian Industry. Besides the foreign exchange inflows consequent to Fll investments play a facilitating role in management of the country's Balance of Payment situation.

(d) and (e) The all India Financial Institutions continue to play a predominant role as major investors in the Indian Capital markets. As a class of investors Flls are among the major investors in the Indian capital markets. However, in terms of SKBI regulations. Fll investments are limited to a maximum ceiling of 24% of the paid up equity capital of a single Indian company under the portfolio route.

Estimates of capital flight through over-invoicing/under invoicing

361. SHRI NILOTPAL BASU
SHRI DIPANKAR MUKHERJEE:

Will the Minister of FINANCE be pleased to state:

(a) whether a global price matrix is used by Govemment for India's international trade to monitor and detect abnormal price when products enter or leave India;

(b) if so, the Government's estimate of ccapital flight through over-invoicing of import and under-invoicing of export during the last three years; and

(c) if not, whether Govemment are aware of a report prepared on capital flight from India to USA which estimates capital flight from India to USA alone in 1993 in the range of 1622 million dollar to 4423 million dollar?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) No, Sir.

(b) Govemment has not made any estimate of capital flight through over-invoicing of import and under-invoicing of export during the

last three years.

(c) The Govemment is aware of the study made by Dr. John S. Zdenowicz, and two others in Florida International University of U.S.A., in which a global price matrix has been used to select average prices for all commodities traded between the US and India and the average prices for all commodities traded between the US and the World.

Such a method is not free from pitfalls for the purposes of estimating capital flight, since pricing of commodities in international trade depends on a farieity of factors and applying averages in such circumstances can lead to highly erroneous conclusions.

While the study has concluded that there was capital outflow due to under-invoicing of exports and over-invoicing of imports, the general belief, supported by actual detections, is that imports could be under-invoiced to evade customs duty and exports over-invoiced in order to gamer larger export incentives.

Recommendations of Fifth Central Pay Commission

362. SHRI IQBAL SINGH:
SHRI GOVINDRAM MIRI:
SHRI PARAG CHALIHA:

Will the Minister of FINANCE be pleased to state:

(a) whether Govemment have accepted all the recommendations of the Fifth Central Pay Commission Report;

(b) if so, whether Government have considered the interest of those employees who are likely to be adversely affected;

(c) if so, the details thereof and what effective measures are being taken by Govemment in this respect;

(d) whether Govemment have decided to refer it to the Joint Finance Committee/ Parliamentary Standing Committee to study properly; and

(e) if so, the full details thereof and the time by which their recommendations would be made available and implemented by Govemment?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (e) The Fifth Pay Commission submitted its Report on 30th January, 1997. The recommendations of the Commission will be processed after following the established procedure, which includes consultations with Staff Side of the National Council of the Joint Consultative Machinery. Decisions will be taken as soon as feasible.

Budgetary Provisions for Recommendations of Fifth Pay Commission

363.SHRI RAMDAS AGARWAL: Will the Minister of FINANCE be pleased to state:

(a) whether Government have so far examined all the major recommendations of the Fifth Pay Commission, if not, how much time Govemment require to examine/implement the same;

(b) whether any adhoc provision made during the current year's budgetary allocations to mitigate hardship being caused to Central Govemment Employees/Pensioners; and

(c) whether Govemment are also aware of discontent among large section of Central Govemment Employees over the Commission's recommendations, if so, whether they have so far held any dialogue with such staff associations/Apex bodies/trade unions to find out amicable solution and avoid strike threat as reported in the Hindustan Times, dated 3rd February, 1997?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (c) The recommendations of the Pay Commission are being processed in accordance with the established procedure which includes consultations with Staff Side of the National Council (JCM). Appropriate decisions will be taken by the Govemment as soon as feasible. Adequate budget provision is being made for implementing the accepted recommendations of the Pay Commission.

Relaxing conditions for Renewal of licences for poppy cultivation

364.SHRI R. MARGABANDU: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that relaxing conditions for renewal of licences for poppy cultivation will result in spoiling the youg generation to become addict; and